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Postal Rate Commission
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Stephen L. Scharfman
General Counsel
Postal Rate Commission
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Re: Docket No. RM2003-1; Order No. 1355; Postal Rate Commission; Additional Filing Requirements; 67 Federal Register 79538, December 30, 2002

Dear Mr. Scharfman:

The American Bankers Association ("ABA") and the National Association of Presort Mailers ("NAPM") appreciate the opportunity to comment on the Postal Rate Commission's proposed rule designed to require the Postal Service to file additional testimony and evidence in rate and complex classification cases. ABA brings together all categories of banking institutions to best represent the interests of this rapidly changing industry. Its membership--which includes community, regional, and money center banks and holding companies, as well as savings associations, trust companies and savings banks--makes ABA the largest banking trade association in the country. NAPM represents presort mailers, the majority of whom are presort service bureaus, on issues and policies of the United States Postal Service which affect their businesses. Presort service bureaus are unique in that they provide the means for small business mailers to participate in the Postal Service's presort programs.

ABA and NAPM strongly support the proposal of the Postal Rate Commission to amend its Rules of Practice to require the Postal Service to file, as support for its rate and classification requests, testimony providing both (1) a roadmap of how the testimonies of its witnesses interrelate, and (2) an identification of all material changes affecting cost attribution methodology, volume projections, or rate design. The proposed change will have a significant positive effect upon the ability of ABA and NAPM, and many other parties, to participate effectively in omnibus rate cases and complex classification cases.

ABA and NAPM were disappointed when the Postal Service rejected, at the ratemaking Summit last summer, the suggestion that rate cases proceed on the basis of previously accepted methodology and that changes in methodology be considered in separate proceedings. Much of the complexity associated with omnibus rate cases is the result of allowing the Postal Service to do several things at the same time. On first review of omnibus rate cases, interested parties are frequently unable to determine if changes in proposed rates reflect changes in the data or changes in Postal Service methodology or policy. Frequently, of course the answer is some of each of these, which only makes figuring out what is going on even more difficult.

The Postal Service has frequently complained of the time it takes the Postal Service to change rates. Nevertheless, at the ratemaking Summit, the Postal Service rejected every proposal put forth that could have reduced the ten months required to process omnibus rate cases. ABA and NAPM recognize that moving

methodological changes out of omnibus rate cases and into separate proceedings might not reduce the total time spent by the USPS and other parties in litigation. However, separating these issues into separate proceedings could allow for much shorter omnibus rate cases. In short, taking changes in methodology out of rate cases would allow the USPS to have new rates in significantly less time than omnibus rate cases now require, but would not prohibit the Postal Service from suggesting rate modifications for policy reasons as it does now.

In its discussion of the proposed change in its Rules of Practice, the Commission stated that its conclusion [regarding the advisability of conducting costing proceedings apart from ratemaking proceedings] "should not be read as a determination on the merits." Instead it stated

...the record is simply not well developed on the point. More importantly, the possibility of separate costing proceedings raises myriad issues which, if fully considered, would enlarge this limited rulemaking more than is practical or desirable. The burdens associated with rate proceedings are such that potentially mitigating alternatives are worthy of close consideration. The Commission remains open to additional suggestions for new ways to improve the process.

This leaves the question: How can a party other than the Postal Service move forward the "close consideration" of "additional suggestions for new ways to improve the process..."?

As we stated earlier, ABA and NAPM were disappointed when the Postal Service rejected the suggestion that rate cases proceed on the basis of previously accepted methodology. However, the change in the Rules of Practice proposed by the Commission will be extremely helpful to intervenors and to the Commission as well.

ABA and NAPM agree with the Commission's conclusion that the time frame for litigating omnibus rate cases would not be materially shortened by limiting discovery.

There is, however, a weakness in the proposed rule that the Commission should address. The Commission needs to quantify in some way, perhaps by some examples, what constitutes a "material effect." ABA and NAPM, like many other intervenors, frequently participate in rate cases out of concern about rate changes as small as a tenth of a cent per mail piece. Thus, we ask the Commission to provide some indication of what constitutes a "meaningful" or "material" effect. Certainly changes in methodology that could change a rate cell by a little as a few hundredths of a cent are meaningful and material to ABA and NAPM.

In addition to a single change in methodology, an accumulation of changes that result in a change in a rate of as little as a few hundredths of a cent are meaningful and material to NAPM. Thus, the rule should require the Postal Service to identify situations in which several small changes in methodology all going in the same direction have a material or meaningful effect even though each of the changes taken separately might be said to be insignificant or immaterial. The Commission should also make it clear that the proposed

deletion of the third sentence of §3001.54 of Subpart B of the Commission's Rules of Practice is not intended to and does not mean that changes in attribution procedures need not be described, it only means that this requirement will now be a part of and covered by §3001.53(c).

Lastly, we urge the Commission to expressly require that the "alternate cost presentation" produced by the Postal Service under § 3001.54(a)(1) be sponsored by a Postal Service witness, and not merely introduced as a Library Reference. In the past, these alternate cost presentations have revealed that by tampering with Commission-approved costing methodology, the Postal Service has materially reduced its measure of cost avoidance of First Class workshare mail (compare in R2001-1, USPS-LR-84, "PRC Version- Letter/Card Mail Processing Costs" to USPS-LR-60). Yet the Postal Services has introduced such alternate cost presentations as "Category 5" Library References (so-called "Disassociated Material"), which has allowed the Postal Service to hide from the results of such materials and avoid cross-examination upon them. The Postal Service witness sponsoring such materials would not have to advocate retaining the previous methodology that would have yielded such alternate cost presentation materials, but would have to explain how such calculations were made and why they were rejected in the present case.

In conclusion, ABA and NAPM congratulate the Commission for addressing this issue by proposing rules requiring the Postal Service to file the additional testimony set out in the proposed rules. Implementation of these proposed rules would improve the rate making process and result in rates that were fairer to mailers.

Sincerely,

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